SOCIAL WELFARE POLICY AND ECONOMIC CHANGE: FINDING OPPORTUNITIES FOR VULNERABLE POPULATIONS

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Social workers generally view the field of economics as separate from the social services domain. Economists are predominantly interested in finding the most efficient system of transfer through the marketplace. This interest minimizes social welfare outlays and stresses a competitive economic model. The byproducts of a competitive market are the economically deprived and vulnerable groups with whom social workers are involved. These groups are excluded from the mainstream economic system by virtue of race, gender, culture, and lack of economic means. Our nation's social welfare policy would benefit greatly from simultaneous consideration of human needs and economic concerns.

However, social workers and social historians have been reluctant to integrate economic trends with discussion of social welfare policy. Economists also seldom investigate the personal and societal characteristics of social welfare: "Welfare economics often stresses the economic efficiency of welfare policy to the exclusion of issues of the quality of life the policies might establish (Dobelstein, 1980, p. 232)." Economic influence on social welfare policy merits attention from a social work perspective. The integration of social welfare policy and economic trends is crucial in understanding the place of social welfare in this nation and in providing guidance to develop policies sensitive to the needs of vulnerable populations. This research has attempted to encourage dialogue between the disciplines through a comparison of economic conditions and social policy.

HISTORICAL RELATIONSHIP BETWEEN ECONOMICS AND SOCIAL WELFARE POLICY

Theorists have argued that social welfare policy has responded to both social factors and economic conditions. However, analysis reveals that economic conditions take precedence over social variables in influencing welfare policy. Industrialization represented a radical departure from the earlier agrarian system in this country. It involved a major economic shift, and ushered in the beginning of the welfare state. Industrialization provided the need and the means for a social welfare system (Wilensky & Lebeaux, 1965).

Industrialization gave rise to numerous changes in the social and economic dimensions of the United States. The number and types of jobs increased as new methods for manufactoring were developed. The overall standard of living improved as incomes grew and production increased. New social problems arose in direct response to the changes in work brought about through industrialization. Unemployment became a concern as workers were dependent on the needs and interests of the owners of business. The dangers of the workplace and industrial accidents gave rise to societal concern for job-related disability and health care, as well as for dependent children and widows.

The modern industrial society also brought changes in the demographics and social characteristics of the populace. With improvement in health care and growth in natural resources, life expectancy increased. People lived longer and experienced greater social needs. As an outgrowth of the industrial state, retirement became a real possibility. Also, people earned greater income and the country as a whole prospered as industry developed ways to make more goods at less cost.

The era was characterized by an increase in need accompanied by an increase in the resources to meet that need. Although industrialization created new social problems and exacerbated existing ones, it also created greater social wealth and the means to provide for people who experienced deprivation. This relationship is clearly based in economics. The drive to acquire more wealth increased the distance between those that had economic resources and those that lacked them. The social welfare structure arose as an outgrowth of the economic disparity between those who benefited from industrialization and those who did not.

The greatest economic upheaval of this century was the Great Depression. The Depression was followed by the most comprehensive and far-reaching social welfare policy in United States history, the Social Security Act. The Depression proved that capitalism was not always self-correcting. Economic failure revealed the shortcomings of the capitalist system and prompted creation of a system which provided public assistance for people without economic means while also emphasizing the work ethic through development of a social insurance system. The economic severity of the Great Depression brought a change: responsibility for social welfare moved permanently from the private sector to the federal government for the first time in American history.

STUDY METHODOLOGY

The relationship between economics and social welfare policy following the Great Depression is evident. However, was this an isolated incident or the beginning of a pattern which has characterized the development of social welfare policy through today? This study began with the economic changes which preceeded the enactment of the Social Security Act and followed economic conditions and policy development over the next fifty years.

This research analyzes the relationship between changes in economic conditions and changes in social welfare policy. The order of the relationship is important. By plotting the changes in social policy against prevailing economic conditions one can ascertain whether an association is suggested. The hypothesis is that in times of economic contraction social policy expands or becomes more liberal, and in times of economic expansion social policy remains stationary or contracts.

The methodology used tests for evidence of the relationship between economic conditions and social policy through a comparison of Social Security Act amendments and the business cycle. The business cycle provides a measure based on a collection of economic indicators. Among the indicators are the GNP, the unemployment rate, personal income, business sales, bank debits, and employment (Moore, 1983, p. 7). The business cycle is "A fluctuation in the level of economic activity which forms a regular pattern, with an expansion of activity followed by a contraction succeeded by further expansion (Pearce, 1983, p. 442)." The cycle is divided into two phases: 1) the period of expansion characterized by growth which climbs to a high point or peak, and 2) the period of contraction characterized by minimal growth or recession which falls to a low point or trough. Table 1 outlines the business cycle fluctuations in the United States from 1927 to 1980.

TABLE 1

Business Cycle - United States, 1927-1980

Business Cycle			Duration in months:	
Trough	Peak	Trough	Expansion	Contraction
Nov. 1927	Aug. 1929	Mar. 1933	21	43
Mar. 1933	May 1937	June 1938	50	13
June 1938	Feb. 1945	Oct. 1945	80	8
Oct. 1945	Nov. 1948	Oct. 1949	37	11
Oct. 1949	July 1953	May 1954	45	10
May 1954	Aug. 1957	Apr. 1958	39	8
Apr. 1958	Apr. 1960	Feb. 1961	24	10
Feb. 1961	Nov. 1969	Nov. 1970	106	11
Nov. 1970	Nov. 1973	Mar. 1975	36	16
Mar. 1975	Jan. 1980	July 1980	58	6

National Bureau of Economic Research, cited in G. Moore (1983), Business Cycles, Inflation, and Forecasting, 2nd ed. Cambridge, MA: Ballinger Publishing Company, pp. 454-5.

The business cycle is a composite measure of economic activity and therefore provides a comprehensive base for comparison. The

Social Security Act and enacted amendments (1935-1980) served as the overall sample for this study. Although the Act is divided into two distinct parts (social insurance and public assistance), for the purposes of this research unemployment insurance was treated separately to permit differentiating the major services provided by the Act.

Each policy change in the Social Security Act was identified as a liberalization or deliberalization (Myers, 1985, p. 209). Liberalizations are defined as increases in benefits or coverage or similar actions which open and expand services offered. Deliberalizations are actions which decrease benefits and coverage, tighten eligibility, or simply close or reduce services. Each policy change was then aligned with the appropriate month of the business cycle. Data collection involved determining where in relation to the troughs (low points) of each cycle the changes occurred and measuring those points in months.

FINDINGS

Results from the data analysis reveal that social welfare policy, as characterized by the Social Security Act of 1935 and subsequent changes in the Act through 1980, has been influenced by changes in economic conditions. Through the use of the data analyses the relationship holds: in times of economic contraction social policy expands or becomes more liberal, and in times of economic expansion social policy remains stationary or contracts.

The fluctuations of the business cycle suggest no behavior patterns are present which identify duration of periods of expansion, contraction, or the entire cycle. The years from 1927 to 1980 include various cycle lengths. Ten distinct cycles occurred during the 53 year period ranging in duration from 34 months to 117 months, with an average of 63 months. Generally, periods of expansion lasted longer that those of contraction. The only exception was the cycle from 1927 to 1933 which included the height of the Great Depression. Overall, the majority of the 53 year span was expansionary, covering over three quarters of the time.

Based on the cycle, certain expectations can be developed for the behavior of social policy changes. If no relationship exists between economic conditions and policy development, then about 78% of all changes would occur during periods of expansion because 78% of the cycle is expansionary. Contrary to this expectation, 10 of the 11 liberalizations (or 91%) fell within the expansionary parts of the cycle.

The incidence of the liberalizations within each period of expansion suggests a significant relationship between the economy and social policy. If the liberalizations were enacted arbitrarily in relation to the complete cycle of expansion and contraction, then the expectation would be that the policy change would have an equal chance of occurring before and after the cycle midpoint. This was not the case: 9 out of 11 liberalizations were enacted before the cycle midpoint (see Table 2). The occurence of 82% before the cycle midpoint is statistically significant ($p < .03$, using binomial probabilities).

TABLE 2

Amendment Liberalizations in Relation to Business Cycle Troughs

	Introduced	Enacted	Cycle Midpoint
1935	25	29	31.5
1939	12	14	44
1950	-2	10	27.5
1954	1	4	23.5
1956	14	27	23.5
1958	3	4	17
1960*	-8	-5	17
1961	2	5	58.5
1964**	37	42	58.5
1965	49	53	58.5
1972	2	23	26

* Did not occur during expansionary period
** Enactment of Food Stamps Program (although it is not a part of the Social Security Act, it is a significant part of public assistance)

The tendency is that the enactment of social policy liberalizations follows the lowest point of a cycle and occurs during the growth period before the cycle midpoint. This phenomenon suggests that social policy expansion follows economic downturn and may be prompted by economic events. The logic is that poor economic conditions adversely affect more people, and therefore the need arises to expand social policy. Policy-makers respond to the needs of constituents and societal concerns.

While social policy liberalizations tended to follow economic troughs in the business cycle, deliberalizations were enacted well into the cycle. The four amendment deliberalizations occurred well into the cycle past the midpoint (see Table 3). The incidence of all four occurring past the midpoint is suggestive, but four is a small number and must be interpreted cautiously. However, when analyzing the deliberalizations and the liberalizations together, a trend is apparent. Policy expansion follows economic downturn, and policy contraction occurs well into periods of expansion. This suggests that social policy is affected by the surrounding economic conditions.

TABLE 3

Amendment Deliberalizations in Relation to Business Cycle Troughs

	Introduced	Enacted	Cycle Midpoint
1967	79	84	58.5
1974	47	50	26
1977	31	34	32
1980	49	63	32

Review of the amendments to the Social Security Act finds that virtually all the liberalizations occurred during periods of expansion. Of the amendment liberalizations, 10 out of 11 were enacted during expansionary periods of the business cycle and 9 of the 10 were enacted before the cycle midpoint. Liberalizations in social welfare policy seem to follow periods of economic downturn. It is difficult to make conclusions regarding liberalizations because of the small number. Nevertheless, the amendment deliberalizations occurred well into the cycle after the midpoint.

IMPLICATIONS FOR SOCIAL WORK

There are numerous implications which can be derived from these findings. Most important, is the understanding that social welfare policy is subject to economic fluctuations, and therefore cannot be fully addressed without an understanding of economic phenomena. Social workers are involved with social policy on all levels and must begin to become knowledgable and comfortable with economic theory and behavior. Social workers must also be actively involved in future discussions regarding social welfare policy and they must be capable of participating on both the personal level and the technical.

In addition, the significance of the findings of this research suggest the need to pursue a new direction in working to develop more responsive and effective social welfare programs. Energy and creativity in program planning must focus on economic growth and development of economic opportunity for all, particularly the disadvantaged members of society. Tinkering with present programs will do little to change the position of the poor. Economic policies must be evaluated in regard to the potential impact on people, especially the more vulnerable members of society such as women, children, the aged, and minorities.

Viewing social welfare policy as a part of the larger social and economic systems provides two distinct emphases. The two perspectives suggest direction for social welfare reform: the need to create economic growth and opportunities, and the need to link disadvantaged groups with the economic system.

Efforts must be directed toward improving the economy and creating greater economic opportunities for all. It is not sufficient to grant those at the top improved economic provisions and assume that it will "trickle down" to the poor. Such an approach has been used in recent years and has not met with success. In fact, from 1980 to 1985, census data reveal that the disparity in distribution of income has widened (Center on Budget and Policy Priorities, 1986). High-income groups have seen their income increase while low-income groups have experienced a decrease. Consequently, the trickle down economic plan has failed. There is a tremendous need to develop ways to stimulate general economic growth and create new entry-level employment positions within the economic system.

Creating viable employment and economic opportunities for those presently outside the system is advantageous on two levels. First, participants in the welfare system are moved from positions of receiving to the role of contributing. This addresses the societal concerns and values grounded in the attitude that too many people are receiving something for doing nothing. The second advantage benefits all of society. Increased employment means greater production and well-being for the entire economic system.

Putting unemployed people to work improves the national economy. Not only is there less of a drain in terms of welfare dollars spent, but there is a greater contribution to overall production and the tax base. In order to take advantage of these benefits, employment opportunities must be developed in neglected areas such as federal support for jobs restoring the nation's decaying infrastructure, or needed service jobs like day care and family services. These jobs must include the potential for learning skills and mobility.

Furthermore, ways must be developed to integrate disadvantaged groups into the educational system. Disadvantaged groups, particularly women, minorities, and the young are excluded from the social and economic system in part as a result of substandard education. This is particularly important for the young. Improving the educational background of disadvantaged youth can facilitate their participation in mainstream society. Educational improvement in conjunction with increased employment opportunities provide a greater chance for access to the central economic system. Such an approach goes beyond welfare reform and instead calls for a macro analysis of both the social and economic systems.

CONCLUSION

Social workers and the profession must understand that social welfare policy is subject to economic fluctuations, and therefore cannot be fully addressed without an understanding of economic phenomena. Social workers are involved with social policy on all levels and must begin to become knowledgable and comfortable with economic theory and behavior. Social workers must also be actively involved in future discussions regarding social welfare policy and they must be capable of participating on both the personal level and the technical.

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